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# Message Text

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PAGE 01 LAGOS 10474 01 OF 02 130801Z
ACTION AF-10

INFO OCT-01 ISO-00 SP-02 USIA-06 AID-05 EB-08 NSC-05
TRSE-00 SS-15 STR-05 OMB-01 CEA-01 CIAE-00
COME-00 FRB-03 INR-07 NSAE-00 XMB-02 OPIC-03
LAB-04 SIL-01 /079 W
----------071666 130810Z /12
R 121450Z SEP 77
FM AMEMBASSY LAGOS
TO SECSTATE WASHDC 3669

LIMITED OFFICIAL USE SECTION 1 OF 2 LAGOS 10474

E.O. 11652: N/A
TAGS: EGEN, OVIP, NI
SUBJECT: ANALYSIS OF NIGERIAN ECONOMY: PART I

REF: STATE 212969

1. IN RESPONSE TO REFTEL EMBASSY IS TRANSMITTING CLASSIFIED ANALYSIS OF ECONOMIC SITUATION. THIS CABLE FOCUSES ON REVISION OF DEVELOPMENT PLAN. OTHER SUBJECTS TREATED IN SEPTELS.

2. ALTHOUGH REVISED UPWARD IN APRIL FROM THE ORIGINAL DOLLARS 53 BILLION TO DOLLARS 68 BILLION, NIGERIA'S THIRD PLAN REMAINS ABOUT SAME IN REAL TERMS BECAUSE OF NAIRA DEPRECIATION OF APPROXIMATELY FIVE PERCENT AND INFLATION OF AT LEAST 40 PERCENT SINCE 1975. PROBABLY NOT MORE THAN HALF THE PLANNED PROJECTS WILL BE ACCOMPLISHED BY 1980. THERE IS NO TIGHT CASUAL RELATIONSHIP BETWEEN PLAN AND OVERALL ECONOMIC DEVELOPMENT, AND ONE SHOULD NOT ATTRIBUTE TOO MUCH IMPORTANCE TO THE PLAN. IT IS NOT A DEVELOPMENT BLUEPRINT BUT A LIST OF PROJECTS DESIRED BY GOVERNMENT MINISTRIES AND AGENCIES (A QUOTE SHOPPING LIST UNQUOTE IN WORDS OF ONE HIGH-RANKING MINISTRY OF ECONOMIC DEVELOPMENT OFFICIAL). PRIORITIES EXIST ONLY IN GENERAL TERMS: AGRICULTURE, TRANSPORT AND COMMUNI-CATIONS, INDUSTRY, HOUSING, WATER SUPPLIES, COOPERATIVES. COORDINA-
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PAGE 02 LAGOS 10474 01 OF 02 130801Z

TION IS GENERALLY POOR. PLANNERS HAVE LITTLE CONTROL OVER IMPLEMENTATION, WHICH IS HEAVILY INFLUENCED BY THE POLITICAL IMPERATIVE
OF DISTRIBUTING THE WEALTH AMONG THE COUNTRY'S REGIME.

3. LAUNCHED BY GOWON A FEW MONTHS BEFORE HE WAS DEPOSED, THE

Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 22 May 2009

Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 22 May 2009

ORIIGINAL PLAN WAS THE FIRST ONE BASED ON NIGERIA'S
NEW OIL INCOME AND THUS DWARFED ITS PREDECESSORS BY ESTIMATING
EXPENDITURES OF NAIRA 32.9 BILLION, THEN WORTH DOLLARS 53
BILLION. THE ESTIMATES WERE MADE IN 1974; SOME INCLUDED EXPECTED
INFLATION THROUGH 1980 AND SOME DID NOT, BUT NONE ANTICIPATED
THE INFLATION WHICH HAS BEEN EXPERIENCED, AS HIGH AS A
COMMULATIVE 66 PERCENT FOR CONSUMER GOODS.

4. APRIL 1977 REVISION INCORPORATED THE INFLATED PRICES OF THE
MODEST NUMBER OF CONTRACTS SIGNED THROUGH 1976 BUT RETAINED THE
ORIGIANL ESTIMATES FOR PROJECTS NOT YET CONTRACTED, WHICH IS
MOST PROJECTS. IT SAFE TO PREDICT THAT THE FINAL COST OF THE ORIGINAL
PROJECTS, 4 CARRIED OUT, WOULD BE DOUBLE THE ORIGINAL ESTIMATE
OR ABOUT DOLLARS 100 BILLION. REVISION ALSO ADDED TO THE PLAN
ESTIMATES FOR INITIAL WORK ON THE NEW FEDERAL CAPITAL CITY AND
FOR GOVERNMENT FACILITIES OF CAPITALS OF SEVEN NEW STATES CREATED
IN APRIL 1976. FINALLY, REVISION WAS DESCRIBED AS SHIFTING
PRIORITIES AWAY FROM GOWON'S PRESTIGE PROJECTS TOWARD THOSE
BENEFITTING THE COMMON MAN.
5. IN BOTH THE ORIGINAL AND REVISED PLANS, PLANNERS REALISTI-
CALLLY ESTIMATED THAT ONLY 60 PERCENT OF THE PLAN WOULD BE
ACCOMPLISHED BY 1980; THEY CALL THIS QUOTE THE EFFECTIVE TOTAL
UNQUOTE. FOR THE ORIGINAL PLAN, THIS WAS NAIRA 20 BILLION, THEN WORTH

DOLLARS 32.2 BILLION, AND IN THE REVISION IS NAIRA 26 BILLION, ABOUT
DOLLARS 41.1 BILLION. EVEN 60 PERCENT IMPLEMENTATION SEEMS
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OVER-OPTIMISTIC SINCE IT IS DOUBTFUL THAT NIGERIA CAN PHYSICALLY
PRODUCE, IMPORT AND DISTRIBUTE THE REQUIRED MATERIALS. ABOUT
70 PERCENT OF THE PLAN REQUIRES CONSTRUCTION, AN INDUSTRY HAMPERED
BY SHORTAGES OF MATERIALS AND SKILLS, SINCE A GOOD PART OF BOTH
MUST BE IMPORTED. MANAGEMENT SKILLS TOO REMAIN INADEQUATE.
IN PART DUE TO LAST YEARS POLITICALLY-MOTIVATED QUOTE INDIGE-
NIZATION UNQUOTE DECREE REQUIRING THAT BY 1979 NIGERIANS MUST HAVE

MAJORITY OWNERSHIP OF MANY INDUSTRIES AND AT LEAST 40 PERCENT
EQUITY IN ALL ENTERPRISES. THIS HAS RETARDED FOREIGN INVESTMENT
AND PROBABLY IS RESPONSIBLE FOR THE ABSENCE IN REVISION OF ANY
REFERENCE TO PRIVATE SECTOR INVESTMENT, WHICH WAS RELIED UPON
FOR ONE-THIRD OF THE ORIGINAL PLAN. THIS LEAVES PLAN FINANCING
TO THE GOVERNMENT, WHICH IS DEPENDENT UPON OIL REVENUES. THE
ORIGINAL PLAN GREATLY OVER-ESTIMATED OIL PRODUCTION AND REVENUES,
FORESEEING PRODUCTION OF 3 MILLION BARRELS DAILY, ENOUGH
TO FINANCE THE PLAN. PRODUCTION ACTUALLY HAS BEEN AS LOW AS 1.5
MBPD AND IS NOT EXPECTED TO EXCEED 2.5 MBPD BY 1980.
THE GOVERNMENT NOW EEXPECTS TO BORROW HEAVILY, INCLUDING USE OF
OVERSEAS SOURCES.

6. ENOUGH OF PLAN WILL BE ACHIEVED TO BRING VISIBLE IMPROVEMENTS

Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 22 May 2009

Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 22 May 2009

BY 1980. POSSIBLY HALF THE ELIGIBLE CHILDREN MAY HAVE SOME ACCESS TO EDUCATION UNDER UPE SCHEME AND NEARLY HALF POPULATION MAY HAVE ACCESS TO RUDIMENTARY MEDICAL CARE. PORT FACILITIES WILL EASE BOTTLENECK AND NEW HIGHWAYS WILL AID INTER-CITY TRAVEL CONSIDERABLY. HOWEVER, AGRICULTURE, STILL THE MAINSTAY OF MOST

OF POPULATION, WILL SEE LIMITED IMPROVEMENT, JUDGING FROM CURRENT PROGRESS, AND URBAN LIFE WILL STILL BE CONGESTED. ENERGY OUTPUT SHOULD BE CLOSER TO MEETING DEMAND. MILITARY SHOULD SUCCEED IN ITS STRENOUS EFFORT TO BE WELL-EQUIPPED AND IN NEW BARRACKS BEFORE CIVILIAN REGIME ASSUMES POWER IN OCTOBER 1979. MEASURED BY STANDARD ECONOMIC INDICATORS, GENERAL WELFARE WILL BE SOMEWHAT BETTER THAN BEFORE THE PLAN. PLAN PROJECTS NOT IMPLEMENTED WILL BE CANCELLED OR CARRIED INTO THE NEXT PLAN. HOW THE POPULACE
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PAGE 04 LAGOS 10474 01 OF 02 130801Z

VIEWS ITS LOT WILL DEPEND IN PART ON THE CAPABILITY OF THE CIVILIAN GOVERNMENT. POPULAR RESENTMENT MOUNTING AGAINST INADEQUATE HOUSING AND PAINFULLY CONTINUING INFLATION. CIVILIAN POLITICIANS PROBABLY WILL AVOID DISCUSSION OF PLAN BUT BLAME PROBLEMS ON MILITARY GOVERNMENT. IN ECONOMIC TERMS, THIS PLAN MAY MAINTAIN NORAML GROWTH RATES AND LAY FOUNDATIONS FOR INDUSTRIALIZATION BUT IT WILL REQUIRE ONE OR TWO MORE PLANS FOR NIGERIA TO ENTER THE INDUSTRIAL AGE.

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PAGE 01 LAGOS 10474 02 OF 02 121606Z
ACTION AF-10

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LAB-04 SIL-01 /079 W
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LIMITED OFFICIAL USE SECTION 2 OF 2 LAGOS 10474

Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 22 May 2009

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7. ANNEX TABLE: ORIGINAL AND REVISED PLANS.

| | NAIRA (BILLIONS) | DOLLARS (DOLS) | EX. RATE |
|---|---|---|---|
| ORIGINAL NOMINAL TOTAL | 32.9 | 53.0 | 1.61 |
| REVISED NOMINAL TOTAL | 43.3 | 68.4 | 1.58 |
| PERCENT INCREASE | 32 | 29 | |
| ORIGINAL EFFECTIVE TOTAL | 20.0 | 32.2 | 1.61 |
| REVISED EFFECTIVE TOTAL | 26.0 | 41.0 | 1.58 |
| PERCENT INCREASE | 30 | 28 | |

REVISED TOTALS AT CURRENT
EXCHANGE RATE .....1.53
NOMINAL 66.3
EFFECTIVE 39.8
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# Message Attributes

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